

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT OF THE GREENUP COUNTY SHERIFF

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Greenup County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$38,210 from the prior year, resulting in excess fees of \$84,204 as of December 31, 2014. Receipts increased by \$44,391 from the prior year and disbursements increased by \$82,601.

Report Comments:

- 2014-001 The Sheriff Has \$17,453 Of Disallowed Disbursements From His Special Enforcement Account And Did Not Have Adequate Controls Over The Account
- 2014-002 The Sheriff Has \$4,339 Of Disallowed Disbursements From His 2014 Fee Account
- 2014-003 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities
- 2014-004 The Sheriff Did Not Collect Receivables and Pay Previous Years' Liabilities To The County
- 2014-005 The Sheriff Did Not Comply With Bid Procedures For Purchases In Excess Of \$20,000
- 2014-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The sheriff's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Sheriff of Greenup County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Greenup County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Greenup County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Greenup County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016 on our consideration of the Greenup County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Greenup County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2014-001 The Sheriff Has \$17,453 Of Disallowed Disbursements From His Special Enforcement Account And Did Not Have Adequate Controls Over The Account
- 2014-002 The Sheriff Has \$4,339 Of Disallowed Disbursements From His 2014 Fee Account
- 2014-003 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities
- 2014-004 The Sheriff Did Not Collect Receivables and Pay Previous Years' Liabilities To The County
- 2014-005 The Sheriff Did Not Comply With Bid Procedures For Purchases In Excess Of \$20,000
- 2014-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

May 3, 2016

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	50,464
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State Fees For Services:

Finance and Administration Cabinet	\$ 116,014	
Sheriff Security Service	10,250	126,264

Fiscal Court		50,000
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Board of Education - School Resource Officer		20,413
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County Clerk - Delinquent Taxes		85,494
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Commission On Taxes Collected		754,790
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Fees Collected For Services:

Auto Inspections	7,935	
Accident and Police Reports	493	
Serving Papers	31,410	
Carrying Concealed Deadly Weapon Permits	11,340	51,178

Other:

Add-On Fees	108,468	
Telecommunication Commissions	8,180	
Miscellaneous	15,558	132,206

Interest Earned		998
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Borrowed Money:

State Advancement		310,000
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Total Receipts		1,581,807
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 KEITH M. COOPER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 525,390

Other Salaries 128,679

Overtime 42,755

Employee Benefits-

Employer's Share Social Security 58,218

Employer Paid Health Insurance 36,227

Contracted Services-

Advertising 680

Materials and Supplies-

Office Materials and Supplies 28,651

Uniforms 91,183

Computer 6,609

Radio 8,517

Auto Expense-

Gasoline 78,251

Other Charges-

Conventions and Travel 10,438

Telephone 7,458

Postage 1,125

Bond 4,630

Professional Fees 4,900

Miscellaneous 427

Capital Outlay-

Vehicles 60,030 \$ 1,094,168

Debt Service:

State Advancement 310,000

Total Disbursements \$ 1,404,168

Less: Disallowed Disbursements 4,339

Total Allowable Disbursements \$ 1,399,829

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Net Receipts		\$ 181,978	
Less: Statutory Maximum		<u>93,864</u>	
Excess Fees		88,114	
Less: Training Incentive Benefit		<u>3,910</u>	
Excess Fees Due County for 2014		84,204	
Payments to Fiscal Court -			
February 19, 2014	\$ 10,000		
March 7, 2014	20,000		
April 2, 2014	20,000		
February 24, 2015	<u>24,885</u>	<u>74,885</u>	
Balance Due Fiscal Court at Completion of Audit		<u>\$ 9,319</u>	

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent for the first six months and 18.89 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Greenup County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Enforcement Account

The sheriff maintains a separate account that is used for drug enforcement activities and is not included in the financial statement. This account is funded through written court orders. For 2014, the beginning balance was \$28,575. There was interest earned of \$27, and deposits in the amount of \$21,325. Disbursements for the year total \$21,299, leaving an account balance of \$28,628 as of December 31, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
The Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Greenup County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated May 3, 2016. The Greenup County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Greenup County Sheriff's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Greenup County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001 and 2014-006 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005.

County Sheriff's Responses to Findings

The Greenup County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Greenup County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike Harmon', followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts

May 3, 2016

COMMENTS AND RECOMMENDATIONS

GREENUP COUNTY
KEITH M. COOPER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Sheriff Has \$17,453 Of Disallowed Disbursements From His Special Enforcement Account and Did Not Have Adequate Controls Over The Account

The sheriff does not have adequate controls over his drug enforcement account. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account and did not deposit all drug forfeiture monies, which has resulted in \$17,453 of disallowed disbursements. The following problems were noted:

- On July 16, 2014, monies seized by the sheriff in the amount of \$2,210 were forfeited to the sheriff's office by a court order. On November 17, 2014, funds seized by the sheriff totaling \$3,168 were forfeited to the sheriff's office as part of a plea agreement. There were no deposits made in the sheriff's drug forfeiture account for either of these cases. Based on inquiry of the sheriff, he used this cash for disbursements in other drug cases; however, there was no documentation to support how this cash was used.
- The sheriff withdrew cash in the amount of \$9,000 from the drug enforcement account and again did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check to a car dealership for \$3,000 and to an individual for \$75 without supporting documentation.
- The sheriff did not maintain receipts and disbursements ledgers for the drug enforcement account.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses.

We recommend the sheriff maintain copies of court cases, receipts, invoices, etc. applicable to each receipt/disbursement of the drug enforcement account, and maintain a receipts and disbursements ledger which makes reference to the source of the receipt (such as court case number and date), as well as documentation for any disbursement made out of the drug enforcement account. We recommend the sheriff improve controls over his drug enforcement account and ensure that all receipts and disbursements have proper documentation in the future. We further recommend the sheriff deposit personal funds in the amount of \$17,453 in the Special Enforcement Account and ensure that deposits and disbursements are made properly in the future. This finding will be referred to the Office of the Attorney General for further review.

Sheriff's Response: No response.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-002 The Sheriff Has \$4,339 Of Disallowed Disbursements From His 2014 Fee Account

The sheriff spent \$4,339 from his 2014 fee account on items that are disallowed. In *Funk v. Milliken*, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. The sheriff spent \$114 on newspaper advertisements that were not necessary disbursements of the office. Also, the sheriff did not maintain documentation on \$4,225 of credit card purchases for hotel stays and online purchases. Without supporting documentation, auditors were unable to determine if purchases were for necessary disbursements of the sheriff's office.

We recommend the sheriff personally reimburse the 2014 Fee Account in the amount of \$4,339 for these disallowed disbursements.

Sheriff's Response: Radio and newspaper ads have been stopped. Other expenditures were for training purposes.

2014-003 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities

The sheriff did not submit a listing of property seized with the appropriate authorities. KRS 218A.440(1) requires each law enforcement agency seizing money or property pursuant to KRS 218A.415, at the close of each fiscal year, to file a statement with the Auditor of Public Accounts and with the Secretary of the Justice and Public Safety Cabinet containing a detailed listing of all money and property seized in that fiscal year and the disposition thereof. The listing must identify all property seized. The sheriff failed to prepare a listing of seized property. As a result, the sheriff may be liable to the state for the full value of all property and money seized, as stated in KRS 218A.440(2). We recommend the sheriff comply with this statute in the future.

Sheriff's Response: Will take care of this. A deputy is responsible for this and I'll get with him.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-004 The Sheriff Did Not Collect Receivables And Pay Previous Years' Liabilities To The County

In the 2012 fee audit, it was reported that the sheriff owed the county \$7,123 in excess fees on behalf of the 2010, 2011, and 2012 tax audits. The sheriff did not collect all receivables of his tax account which are owed to the 2012 fee account. Although there should be no netting of receivables and liabilities for any of the tax years, we chose to consolidate the receivables and liabilities from tax years 2010 through 2013, and now the sheriff owes the county \$2,591 in liabilities. The sheriff is required to collect the receivables due from previous years' tax accounts and pay the remainder of liabilities due the county. As of our audit report date, the amounts due had not been paid to the sheriff's 2012 fee account. If the amounts due are not collected, the sheriff would have to deposit \$2,591 from personal funds to pay excess fees due the county. Should the sheriff not pay the amount due the county, the county will be advised of their responsibility to collect this amount in accordance with KRS 64.820. This condition is the result of the sheriff not collecting all receivables due the 2012 fee account. All receivables due the 2012 fee account should be collected to pay the operating expenses of the sheriff's office or excess fees due the county. The sheriff should collect the appropriate amounts due to previous tax accounts or deposit from personal funds \$2,591 to pay excess fees due the county.

Sheriff's Response: This is largely due to an auditor changing a previous years audit (which was approved).

2014-005 The Sheriff Did Not Comply With Bid Procedures For Purchases In Excess Of \$20,000

We found that the sheriff purchased two Dodge Chargers for \$30,015 each without advertising for bids as required by KRS 424.260. Making purchases over \$20,000 without advertising for bids is allowable if purchases are made from an approved state contract vendor for the state contract price. However, these purchases were made from a vendor other than the approved state contract vendor, causing the necessity to advertise for bids. By not advertising for bids, the sheriff may not be getting the lowest price for vehicles.

In order to use a vendor for any purchase over \$20,000, without advertising for bids, the sheriff should adopt the state's Model Procurement Code (KRS 45A.343-460) and they would have the following options:

1. Purchasing the vehicles from state price contract vendors.
2. Advertising for bids to negotiate a lower price.
3. Negotiating directly with a vendor as long as the final price does not exceed the state price contract.

Since the sheriff has not adopted the state's Model Procurement Code, they can either purchase from an approved state contract vendors or advertise for bids. We recommend the sheriff purchase from state price contract vendors, advertise for bids for all purchases over \$20,000 or more in accordance with KRS 424.260, or adopt the state's Model Procurement Code.

Sheriff's Response: O.K.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. Lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. This condition is a result of a limited budget, which restricts the number of employees the Sheriff can hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

Sheriff's Response: I understand.

